

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: LINDA FRIEDRICHSEN, Complainant, vs. INTERSTATE POWER AND LIGHT COMPANY, Respondent.	DOCKET NO. FCU-2014-0012 (C-2014-0009)
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**ORDER GRANTING REQUEST FOR A FORMAL COMPLAINT PROCEEDING
AND REQUESTING ADDITIONAL INFORMATION**

(Issued October 6, 2014)

PROCEDURAL BACKGROUND

On January 31, 2014, Linda Friedrichsen filed an informal complaint with the Iowa Utilities Board (Board) against Interstate Power and Light Company (IPL) concerning the cost of restoring service to her property at 2238 I Avenue, Woodward, Iowa. The informal complaint was identified as C-2014-0009. In the complaint, Linda Friedrichsen stated that she and her son, Tony Friedrichsen, purchased the property in 2007 with the intent that a home could be built at a later date. Linda Friedrichsen stated that her son contacted IPL in 2008 and asked IPL to visit the property and provide an estimate to start electric service. On that visit to the property, according to Linda Friedrichsen, IPL provided an estimate of \$600.00 to

\$700 to connect electric service to the property. Linda Friedrichsen stated that since her son was living out of state they decided to wait until he moved back to Iowa before building a home on the property. Linda Friedrichsen stated that in April 2013 her son inquired again about obtaining electric service to the property and at that time IPL provided an estimate of \$27,500 to restore electric service. Linda Friedrichsen stated that IPL had removed the poles and service lines from the section of the road near the property, which is why the cost had increased so dramatically. Linda Friedrichsen stated that IPL had not contacted the landowners before removing the poles.

On March 3, 2014, IPL responded to the informal complaint. IPL provided the following timeline of the communications between IPL and the Friedrichsens.

1. April 17, 2008: Tony Friedrichsen contacted IPL and stated that he was interested in establishing electric service at 2238 I Avenue, Woodward, Iowa. At that time he also stated that there had been no service at the address for 20 years and that the residence had been vacant for 40 years.

2. April 28, 2008: Tony Friedrichsen contacted IPL again and requested an estimate for establishing new service for the barn and stated that he would eventually build a residential home on the property, but he did not give a date or timeframe when the construction would take place. At this time the field engineer gave an estimate of \$600-\$700 to go from the transformation point to the point-of-service hook-up. IPL stated that there is no written record of the estimate and that estimates are only good for 30 days.

3. February 2011: IPL rebuilt its distribution lines around the Woodward and Bouton areas, which included the vicinity of the 2238 I Avenue address. IPL stated that there was an old section of overhead primary line that was approximately 2,700 feet long that only fed the 2238 I Avenue address and when the design for the rebuilt lines was discussed internally by IPL in 2010, it was decided to remove that section of the line and not replace the section because it would need to be maintained and no customers had been on the line for 20 years.

4. April 24, 2013: Tony Friedrichsen contacted IPL and left a message stating that he would like to install temporary or permanent service at the 2238 I Avenue address for livestock and for building a new home. Tony Friedrichsen also stated in the message that the property had been vacant for 40 years.

5. April 29, 2013: An IPL field engineer spoke with Tony Friedrichsen to confirm the need for new electric services and advised him that IPL would provide an estimate of the cost to restore service to the property. According to IPL, the engineer contacted Tony Friedrichsen the same day and provided an estimate of \$26,821.51 for 11 poles and a single- phase extension that would be required to restore electric service to the property. This quote was good for 30 days. Tony Friedrichsen informed IPL that he did not wish to proceed with the installation of service.

6. August 27, 2013: IPL received an informal complaint from Board staff regarding the estimated cost to provide service to 2238 I Avenue, Woodward, Iowa.

7. February 17, 2014: IPL estimated the cost of providing electric service to the Friedrichsen property as \$31,400.19.

In the response, IPL stated that it is responsible for maintaining and reporting on all electric lines built. These lines are also subject to state inspections. IPL stated that there was no business need in 2011 to leave the overhead primary line to the Friedrichsens' property because it was in poor condition and there had been no history of active customers there in several years. IPL stated that it was in its best interest to remove the lines.

IPL stated that the reason any customer would experience a cost to build a line extension is that IPL cannot expect its other customers to pay for a line extension that other customers will not use and that the customer benefitting from the line extension pays the cost of that extension. IPL stated there would be a \$3,957.76 three-year revenue allowance, as of February 2014, that would be subtracted from the total cost if the Friedrichsens decide to have the line extension constructed. IPL points out that the three-year revenue allowance could be more if the Friedrichsens choose to install electric space heating such as a geothermal system.

PROPOSED RESOLUTION

On April 9, 2014, Board Consumer Services staff (staff) issued a proposed resolution in which staff determined that IPL took the appropriate steps to protect the electric service lines and equipment in the area and followed the Board's rules on line extensions. Staff pointed out that the lines and poles removed were old and had not served customers in a number of years. Staff considered the length of time the property had been without service as a major factor in the decision made by IPL to

remove the lines. Staff concluded that maintaining the existing line would not have been a reasonable use of IPL resources. Staff stated that the Friedrichsens' frustration with the increased cost of obtaining electric service was understandable; however, as stated by IPL, the original estimate was only good for 30 days and since 2008 the line and poles servicing the property had been removed, significantly increasing the cost to provide service at this time.

REQUEST FOR FORMAL PROCEEDING

On April 21, 2014, the Friedrichsens requested that the Board open a formal complaint proceeding to address the cost of obtaining electric service at their property. In the request for a formal proceeding, the Friedrichsens stated they had worked on the property and had made their intentions clear and obvious that they would become IPL customers in the future. They stated that as consumers, they felt it was their right to be notified by IPL of its decision to remove the poles and lines that served the property. The Friedrichsens stated that they would have become customers of IPL in 2011 if they had known the lines and poles were going to be removed. The Friedrichsens then stated that they do not feel they are being treated fairly by IPL and asked to have the Board reconsider their situation. The Friedrichsens stated that they want to have electric service at the property and they expect to pay a reasonable price to obtain it. They stated that they have been unable to work out a reasonable agreement with IPL.

BOARD DISCUSSION

Under normal circumstances, when a customer requests that a utility extend electric service that involves the construction of an electric line that is part of the distribution system, the amount that a customer is required to pay for the extension is governed by Board rules at 199 IAC 20.3(13). Pursuant to 199 IAC 20.3(13)"c," the utility will finance and construct the electric line extension without requiring any payment from the customer if the cost of the extension does not exceed three times the estimated base revenue calculated on the basis of similarly-situated customers. If the cost of the extension is greater than three times the estimated base revenues, the customer must pay an advance for construction for the additional cost. The advance for construction includes a gross up for taxes and a reduction for the present value of depreciation. The customer may receive a refund if additional customers connect to the electric line extension within ten years of certification.

Pursuant to 199 IAC 20.3(13)"d," where the electric distribution line is already in place, the utility will finance and construct the first 50 feet of the service line to the first point of attachment on the customer's property. If the service line is longer than 50 feet, the customer must pay a contribution in aid of construction to the utility for the additional cost. The contribution in aid of construction is nonrefundable and the contribution in aid of construction is grossed up for taxes and is reduced by the present value of depreciation.

In IPL's view, once the poles and line were removed the extension of service to the Friedrichsens' property would be considered an electric line extension of the

distribution system and not just an electric service line extension. It appears that the original cost estimate provided by IPL was for a service line extension. The most recent cost estimate of \$31,400.19 given to the Friedrichsens is based upon the provisions of 199 IAC 20.3(13)"c" and IPL has estimated three times base revenue at \$3957.76, which would reduce the cost estimate. If the Board's extension rules apply to this situation as IPL believes they should, the Friedrichsens would be required to pay approximately \$27,442.43 to obtain electric service to the property at 2238 I Avenue, Woodward, Iowa.

Based upon the information in the informal complaint proceeding, the Board is not prepared to find that 199 IAC 20.3(13)"c" applies to this fact situation. To fully understand the circumstances involved in this situation, the Board considers it necessary to request additional information regarding the removal of the poles and lines that once served the Friedrichsens' property. The Board will therefore grant the request for a formal proceeding and request additional information from IPL. The Board will decide whether additional proceedings, possibly including an evidentiary hearing, are required after the Board has reviewed the additional information.

IPL will be required to provide the following information:

1. A copy of all records concerning the contact by Tony Friedrichsen with IPL in 2008 regarding service to 2238 I Avenue, Woodward, Iowa.
2. A description of the actions IPL took and any documents related to: (a) the decision to replace the distribution system that served the Friedrichsen property

and (b) any discussions that were held by IPL employees concerning the question of whether to remove the distribution system that served the Friedrichsen property.

3. According to the information provided in the informal complaint investigation, the Friedrichsen property was the only property served by the 2700 feet of distribution line that was removed. Did IPL take any action to contact the Friedrichsens before removal of that section of the distribution system?

4. Does IPL have a policy that requires contacting adjoining property owners when a section of a distribution system is to be removed?

5. Were other sections of the distribution line removed during the rebuild of the electric system in the Woodward and Bouton areas? If other sections of the distribution system were removed during the rebuild, were potentially affected landowners notified of the removal in advance?

6. Would IPL have removed the distribution line if IPL had contacted the Friedrichsens and been told that the Friedrichsens would become IPL customers at that time?

7. If at the time of the rebuild of IPL lines in this area the Friedrichsens had been customers of IPL, who would have been responsible for the costs to rebuild the distribution line?

8. What is the difference in cost between the cost to IPL of rebuilding the distribution line at the time it was removed and the cost estimate provided to the Friedrichsens on February 17, 2014?

9. Were any of the costs for the rebuild in the Woodward and Bouton areas assessed to adjoining property owners and, if so, under what circumstances were the property owners assessed?

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. The request for a formal complaint filed by Linda Friedrichsen on April 21, 2014, is granted.
2. Interstate Power and Light Company shall file the additional information described in this order on or before October 27, 2014.

UTILITIES BOARD

/s/ Elizabeth S. Jacobs

/s/ Nick Wagner

ATTEST:

/s/ Joan Conrad
Executive Secretary

/s/ Sheila K. Tipton

Dated at Des Moines, Iowa, this 6th day of October 2014.